



# Maryland Corporate Information Reporting And Combined Reporting

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# Prior Introductions



 Combined Reporting bills introduced in every session from 2003 through 2007

 Never made it out of committee

 Proponents – major revenue gain

 Opponents – major revenue loss

# Fiscal Estimates

Department of Legislative Services (DLS)

Fiscal Estimates 2003 – 2007

2003 - \$20 million to \$150 million




2004 - \$55 million based on MTC study

2005 - Unknown

2006 and 2007 - \$25 million to \$50 million





# 2007 Special Session

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-  Maryland faced budget deficit approaching \$1.4 billion
-  Substantial changes to income, sales, and other taxes were coming
-  Administration's proposals included combined reporting, estimated to raise \$28 million in FY 2009







# Senate Bill 2, 2007 Special Session

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-  Combined reporting did not pass, but corporate rate raised from 7% to 8.25%
-  Established Maryland Business Tax Reform Commission
-  Required corporate statistics of income report from the Comptroller
-  Established corporate information reporting





# SB 2 Information Reporting

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-  Each corporation required to file an income tax return and which is a member of a corporate group was to file a report including
-  Group members
  -  Worldwide sales of each member
  -  Sales in Maryland of each member
  -  List of states in which any group member filed an income tax return
  -  Members of the group on combined or consolidated returns in each combined or consolidated state





# SB 2 Information Reporting

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-  Each publicly traded corporation doing business in the State was to file a report including
-  Identifying and ownership information
  -  Information used in preparing a MD tax return whether or not a MD tax return is required
  -  Why a return is not required and sales in the State and...

# SB 2 Information Reporting





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-  If a publicly traded corporation was a member of a group with worldwide gross receipts in excess of \$100 million
  -  The above information for each group member, with or without nexus
  -  Members of the group and the difference in income tax that would be owed if required to use combined reporting
  -  The sales factor that would be used under throwback (of tangible goods only), and...



# SB 2 Information Reporting

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-  Publicly traded corporations that are member of a group with worldwide gross receipts in excess of \$100 million (con' t)
  -  Amount and source of nonapportionable income, and state to which it was allocated if not MD
  -  Full-time equivalent employment for each of the four most recent tax years
  -  For US corporations, profits before tax as reported on 10-K




# SB 2 Information Reporting

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## Statements were to be






-  Subject to audit
-  Submitted electronically on a group basis

## Penalties for failure to file or filing falsely

-  \$10,000 fine, and/or
-  Up to five years imprisonment, and
-  Publication of the name of and any penalty imposed on a corporation failing to file or filing an inaccurate statement

# SB 2 Information Reporting




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-  Comptroller required to report to General Assembly December 1 of each year
  -  Summary of information from corporate reports
  -  Detailed analyses of characteristics of corporate taxpayers including historical data
  -  Information provided by business category and various measures of size
-  Entire regime very burdensome on both taxpayers and Comptroller

# SB 444 / HB 664 2008 Regular Session


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 Bills were submitted to ease the burden of the reporting requirements

-  Originally struck some of the requirements, and allowed a combined return from another state but reflecting Maryland apportionment factors to be submitted in lieu of the other requirements
-  The Comptroller proposed amendments to further simplify the process, which were generally the only changes to the bills
-  With the strong support of the Comptroller, business community and others, the bills passed

# Amended Reporting Requirements

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 Essentially *pro forma* combined return with modest amount of supplementary information

 Throwback

 Sales to federal government








 Nonoperational income

 Penalties replaced with requirement that the Comptroller develop a penalty system

 Due date for report from Comptroller delayed until March 1

# Implementation of SB 444 / HB 664

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-  Intensive effort to implement the program in time for October 15 reporting deadline
  -  Immediately following the session, Comptroller's staff began review of combined reporting
  -  Tax Alert distributed in June
  -  Regulations and draft “return” were developed in June, and circulated amongst the business community for comment in early July
  -  Return underwent substantial revisions
  -  Draft regulations posted and submitted to AELR
  -  Reporting system developed in late July

# Electronic Reporting System

The screenshot displays the Maryland Comptroller of Maryland website's Electronic Reporting System. The header features the state flag and the text "COMPTROLLER of MARYLAND Information For Business Taxpayers". A navigation bar includes links for Home, Individuals, Businesses, Tax Professionals, CompNet, and Online Services. The main content area is divided into three sections:

- Tax Alert: Pro Forma CCR**: A text-based alert stating that the Comptroller of Maryland has issued a one-page [tax alert](#) regarding the requirement for corporations to file pro forma combined income tax returns for the 2006 tax year by October 15, 2008.
- File your Pro Forma CCR**: A login and registration interface. It prompts users to log in to work with their CCR, with a note for first-time users to register. It includes input fields for "User Name:" and "Password:", a "Log In" button, and buttons for "Forgot Password" and "Register".
- File for an Exemption**: A form for filing an exemption. It includes an input field for "FEIN:", a "Reason for Exemption:" section with radio button options for "Insurer", "Regulated Investment Coporate Group", "Single Entity Corporation", and "Other" (with an associated input field), and a "Submit" button.

An Entity with MD Nexus For Tax Year 2006

Fields marked with a "\*" are required fields.

Federal Employer Identification Number...

FEIN: \*

Profile Information... ?

Entity Group Parent?  Yes  No

Entity Name: \*

Trading As Name: \*

Is Foreign Address?

Business Address Line 1: \*

Business Address Line 2:

Business City: \*

Business State: \*

Business Zip Code: \*

Domicile Address Same As Business

Is Foreign Address?

Domicile Address Line 1: \*

Domicile Address Line 2:

Domicile City: \*

Domicile State: \*

Domicile Zip Code: \*

Tax Period Start Date: \*

Tax Year End Date: \*

NAICS Code of Entity: \*

Contact Name: \*

Contact Phone: \*

Contact Email: \*



**Income Information...** ?

Income: *	Total Deductions: *	Prior Loss Carryover: *	Net Operating Loss: *
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Special Deductions: *	Taxable Income: *		
<input type="text"/>	<input type="text"/>		

**Modifications...** ?

**Additions...**

Decoupling This Tax Year: *	Decoupling Before 2006: *
<input type="text"/>	<input type="text"/>

**Subtractions...**

Decoupling This Tax Year: *	Decoupling Before 2006: *
<input type="text"/>	<input type="text"/>

**Apportionment of Income...** ?

**Maryland Only...**

Maryland Receipts: *	Maryland Property: *	Maryland Payroll: *
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Total (Maryland and Non-Maryland)...**

Total Receipts: *	Total Property: *	Total Payroll: *
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Additional Information About Sales...** ?

Sales of MD Property  
to Federal Government: \*

Sales of MD Property into  
States with No Nexus: \*

Non-Operational Income  
from Sales of MD property: \*

Non-Operational Income  
from Sales of Intangibles: \*

**Save and add another entity with:**

 ? ? ?

(For other options use the links at the top left of the page.)

An Entity with No MD Nexus and No MD Sales For Tax Year 2006

Fields marked with a "\*" are required fields.

Federal Employer Identification Number...

FEIN: \*

Profile Information... ?

Entity Group Parent?  Yes  No

Entity Name: \*

Tax Period Start Date: \* Tax Year End Date: \*

Save and add another entity with:

 ? ? ?

(For other options use the links at the top left of the page.)

## Adjustments for Intercompany Transactions

Fields marked with a "\*" are required fields.

For the fields below please use whole dollar amount with no cents.

### Adjusted Income for All Entities in Unitary Group ?

Income: *	Total Deductions: *	Prior Loss Carryover: *	Net Operating Loss: *
<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>
Special Deductions: *	Taxable Income: *		
<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>		

### Adjusted Numerator for Entities with MD Nexus ?

MD Receipts: *	MD Property: *	MD Payroll: *
<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>

### Adjusted Numerator for All Entities in Unitary Group ?

MD Receipts: *	MD Property: *	MD Payroll: *
<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>

### Adjusted Denominator for All Entities in Unitary Group ?

Total Receipts: *	Total Property: *	Total Payroll: *
<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>	<input type="text" value="\$1,000"/>





## Choose To Submit Your Return To Complete Your 2006 Filing

I declare under the penalties of perjury that this report has been examined by me and to the best of my knowledge and belief is a true, correct and complete report.

- [Submit Your Report For Processing](#)




# Agency Wide Effort

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-  Bureau of Revenue Estimates (BRE) staff developed the information schematics incorporating feedback from stakeholders
-  IT staff developed the secure browser based reporting system
-  BRE and the Compliance division worked to identify entities that would be directly contacted for notice to file the pro forma return
-  Corporate Auditors as Customer Service




# Extension and Delinquency Efforts

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-  The Joint Committee for Administrative, Executive, and Legislative Review extended the reporting deadline 45 days
-  After new December 1, 2008 deadline, 14,700 letters were mailed to entities that may be subject to the requirements
-  Over 1,200 reports were submitted after December 1

# Preliminary TY 2006 Report







-  The reported data was downloaded to a Microsoft Access database and Excel was used to provide the analysis
-  6,100 corporate groups, representing 96,400 separate entities
-  Variety of data issues





# Data Issues

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-  A large number of groups showed no intercompany transactions
-  Other groups provided logically impossible data
  
-  Contacted 3,860 of the 6,100 groups asking for clarification
-  2,316 responded with the remainder resolved through sensitivity analysis





# Further System Refinement



-  Eliminated the report sheet that asked for the group's adjusted income and apportionment data
  
-  Created a XML upload process

# Result Caveats





-  Results were point in time.
-  Those results would likely change as corporations amended returns
-  Group industry classification was determined by the NAICS code of the group member with the largest worldwide payroll
-  Estimates were static



# The Results

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## Initial TY 2006:

-  Joyce - \$109 million
-  Finnigan - \$170 million



## Revised TY 2006:

-  Joyce - \$144 million
-  Finnigan - \$197 million

## Initial TY 2007

-  Joyce - \$92 million
-  Finnigan - \$144 million

## Initial TY 2008

-  Joyce - (\$53.3 million)
-  Finnigan - (\$15.4 million)

# TY 2006 Industry Analysis (Joyce)





Industry	Winners		Losers		Total	
	#	\$	#	\$	#	\$
Utilities	32	(17,198,450)	30	1,247,467	95	(15,950,983)
Information	107	(29,039,412)	89	22,907,291	336	(6,132,121)
Management of Companies	102	(11,980,304)	76	6,612,028	268	(5,368,276)
Retail	104	(5,281,976)	203	64,822,749	404	59,540,773
Finance & Insurance	190	(16,086,195)	196	59,371,776	612	43,285,581
Manufacturing	535	(32,350,605)	529	75,044,135	1,477	42,693,530
<b>Total</b>	<b>2,058</b>	<b>(159,241,086)</b>	<b>2,134</b>	<b>303,370,381</b>	<b>6,284</b>	<b>144,129,295</b>

# TY 2008 Industry Analysis (Joyce)

Industry	Winners		Losers		Total	
	#	\$	#	\$	#	\$
Management of Companies	103	(51,132,283)	63	8,982,684	251	(42,149,599)
Finance and Insurance	186	(45,983,754)	94	18,648,898	468	(27,334,857)
Utilities	29	(27,002,678)	12	1,156,467	56	(25,846,211)
Retail	118	(16,009,423)	78	30,822,585	285	14,813,162
Wholesale	139	(7,085,706)	108	18,494,651	329	11,406,945
Manufacturing	480	(37,867,483)	277	48,323,905	1,078	10,456,422
<b>Total</b>	<b>1,946</b>	<b>(260,511,425)</b>	<b>1,133</b>	<b>209,113,983</b>	<b>4,597</b>	<b>(51,397,442)</b>

# Reflections on Study



-  Little framework or guidance related to combined reporting or group membership
-  Accuracy of distributional impact
-  Data issues
-  Declining number of reports

# Questions



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# Links



<http://btrc.maryland.gov/default.asp>

<http://www.marylandtaxes.com/finances/revenue/combined.asp>

<http://business.marylandtaxes.com/taxinfo/requirements.asp>

<https://interactive.marylandtaxes.com/business/CCRStudy/Authentication/login.aspx?ReturnUrl=%2fBusiness%2fccrstudy%2fDefault.aspx>